

August 6, 2004

Dear Potential Bidder:

This concerns the BSAI Crab Fishing Capacity Reduction Program.

We had to readminister the program's first referendum because the referendum's initial administration was based on materially inaccurate reduction data.

Based on accurate reduction data, the readministered referendum was unsuccessful. Only 46.2% of the responsive votes cast in the readministered referendum were in favor of the program's loan repayment fee. This was far short of the two-thirds majority which the law and the regulations require for reduction loan fee approval.

The results of the first referendum's readministration excused all program bidders from their irrevocable bid offers under the first invitation to bid and excused all parties from any obligation under any reduction contracts which may have been formed.

Because of the special circumstances involved in the first referendum's initial administration and readministration, however, we're now reinviting new bids and will hold a second referendum based on the new bidding results.

Accordingly, this letter transmits the program's second invitation to bid. The letter also transmits the program's second reduction contract. The section 48 bid form of the second reduction contract is the bid form you must use if you submit a bid offer.

Although no one can reliably predict what new bidding results might produce a successful second referendum, a second referendum's success may depend on the new bids retiring more crab catch history than the old bids did--perhaps substantially

more.

The old bids had an average¹ bid score of 0.9310. This means that the average bid price was 93.1% of the bidder's crab catch history value during the 5-year bid scoring period.

Referendum voters have, however, already established their unwillingness to approve the loan repayment fee for a program whose cost averages 93.1% of the bidders' crab catch history value during the 5-year bid scoring period.

What new bid results the voters might require for a new referendum's success is unknown, but the new referendum's success may depend on the new bids' average bid score being less than 0.9310--perhaps substantially less.

Your bid price and its relationship to your crab catch history value during the 5-year bid scoring period is a choice which only your individual judgment about your own circumstances and objectives can decide.

Nevertheless, if you want or need to use what may be this last program opportunity to retire from the BSAI crab fisheries, you may want to consider keeping your bid amount as low a percentage of your crab catch history value during the 5-year bid scoring period as your individual judgment about your own circumstances and objectives warrant.

Please carefully note that we won't include in bid scoring any crab which you caught under a CDQ quota. "Bid crab" will exclude all CDQ quota crab catches. Consequently, if you estimate your bid score based on a crab catch value during the 5-year bid scoring period which includes any crab caught under a CDQ quota, your bid score will appear correspondingly lower than the actual bid score which we will assign to your bid.

The new bidding and referendum schedule is as follows:

- (1) **August 6, 2004.** Bidding opens, and you may bid as soon as you receive this letter and bidding package;
- (2) **September 24, 2004.** Bidding closes, and we must have received your completed bid here no later than 5:00 P.M.,

¹Because 0.9310 was the average bid score, some old bid scores were lower than this and others were higher.

Eastern Daylight Time, on this date;

- (3) **October 1, 2004.** We mail referendum ballot transmittal letters to the qualified voters, referendum voting opens, and you may vote as soon as you receive your ballots;
- (4) **November 15, 2004.** Referendum voting closes, and we must have received your completed ballot here no later than 5:00 P.M., Eastern Standard Time, on this date;
- (5) **November 22, 2004.** If the second referendum is successful, we publish a reduction payment tender notice in the Federal Register; and
- (6) **December 22, 2004.** We tender reduction payment to the accepted bidders.

If you submit a bid in response to this new bid invitation, you must complete the section 48 bidding form of the enclosed second reduction contract and return the full 22-page second reduction contract to us in time for us to receive it here no later than 5:00 P.M., Eastern Daylight Time, on September 24, 2004.

These questions and answers are for your bidding convenience and are not to be construed as changing either the final rule or anything in the bidding package.

1. CAN YOU ACCESS RELEVANT DOCUMENTS ELECTRONICALLY?

Yes.

Go to our website at the following URL:

<http://www.nmfs.noaa.gov/ocs/financial_services/buyback.htm>

There, you can electronically access this letter as well as the program's:

- Final rule;
- The second invitation to bid; and
- The second reduction contract (including its section 48 bidding form).

If, in preparing your bid, you need another copy of the second reduction contract, you can download it from our web site.

2. WHAT TERMS DO YOU NEED TO KNOW?

To understand the bidding package, you need to know how section 600.1018(b) of the program's final rule defines these terms:

- Acceptance;
- Bid;
- Bid amount;
- Bidder;
- Bid crab;
- Bid score;
- Co-bidder;
- Crab;
- Crab license;
- Crab reduction permit;
- Non-crab reduction permit;
- Qualifying bidder;
- Reduction endorsement fishery;
- Reduction fishing interest;
- Reduction fishing privilege;
- Reduction/history vessel;
- Reduction/privilege vessel;
- Referendum; and
- Replacement vessel.

3. WHEN MAY YOU BID?

You may bid as soon as you get this letter and the second invitation to bid and second reduction contract.

4. HOW LONG DO YOU HAVE TO BID?

We must have received your bid here not later than 5:00 P.M., Eastern Daylight Time, on September 24, 2004. This is when bidding closes.

If we first receive your bid after this, we won't consider it.

Remember, just mailing your bid or giving it to some other delivery service before bidding closes isn't enough. Instead, we must actually have received your bid here before bidding closes.

5. HOW DO YOU BID?

You:

- Complete the section 48 bidding form of the enclosed second reduction contract, and
- Submit the entire 22-page second reduction contract to us at this address:

Michael L. Grable
Chief, Financial Services Division
National Marine Fisheries Service
National Oceanic and Atmospheric Administration
Room 13100
1315 East-West Highway
Silver Spring, MD 20910

6. HOW DO YOU DELIVER YOUR BID?

However you choose, except fax.

You can use U.S. mail, a private delivery service, or personal delivery.

Remember, we must first receive your bid no later than 5:00 P.M., Eastern Daylight Time, on September 24, 2004.

The risk of late delivery or non-delivery is yours.

7. DOES YOUR BID NEED TO HAVE AN ORIGINAL SIGNATURE?

Yes.

The section 48 bid in the second reduction contract which you return to us must bear your original signature or signatures.

We need the entire 22-pages of the second reduction contract, with the section 48 bidding form completed and signed.

8. WHAT'S THE LEGAL EFFECT OF YOU SUBMITTING YOUR BID TO US?

You're making an offer to us which you can't revoke.

Your offer is subject to the second reduction contract's terms and conditions.

Your offer is to relinquish your reduction fishing interest in return for us paying you the bid amount you specify.

We'll either accept or reject your offer.

If we reject it, you have no obligation.

If we accept it, you're contractually obligated (subject to the condition subsequent that the second referendum is successful).

If the fee referendum doesn't pass, you'll be released from this obligation.

9. WHAT DOES YOUR BID OFFER TO RELINQUISH?

Your full reduction fishing interest, which is your:

- Crab reduction permit;
- Non-crab reduction permit(s);
- Reduction fishing history;
- Reduction fishing privilege; and
- Every claim to any present or future limited access system fishing license, permit, or other authorization based on any of the above.

10. WHAT DO YOU GET FOR RELINQUISHING THIS?

You get our payment of the bid amount you specify in second reduction contract section 48.VII.

Your relinquishment and our payment depends, of course, of the second referendum approving the industry fee system required to repay the reduction loan.

11. HOW DO YOU CHOOSE A BID AMOUNT?

You must use your judgment to choose the bid amount which best fits your own circumstances and objectives.

You'll be competing, in a reverse auction, against about 273 other potential bidders for limited program funds, and this second round of bidding may involve more bidders than the first round of bidding.

We first accept bids with the lowest bid scores. The lower your bid score is, the better your chance is that we'll accept your bid before the program's funds run out.

The program's objective is:

- Paying those who want to leave the crab fishery, and
- Reducing the number of crab license holders and increasing the crab QS allocations available for those who stay in the fishery.

Bidding means your objective is leaving the crab fishery.

Although we'll use a reverse auction, it's still an auction.

If your bid amount is too high in relation to your crab catch history value during the 5 bid-scoring years, your objective may fail because bids with lower bid scores may use all the program funds before we reach your bid score.

If most bid amounts are too high in relation to their crab catch history values during the 5 bid-scoring years, everyone's objective may fail because the second referendum may fail. Referendum voters won't approve the post-reduction landing fee unless they believe the capacity reduced justifies the program's reduction cost.

See subsequent questions/answers for more details about bid scoring.

12. WHAT'S THE FEDERAL TAX TREATMENT OF YOUR REDUCTION PAYMENT?

Only the IRS can determine this.

Tax treatment may differ from one fishing capacity reduction program to another.

You may want to consult your tax advisor about the Federal tax treatment of the \$46 million Pacific Coast groundfish fishing

capacity reduction program we recently completed.

13. WHO MAY BID?

Every bid must have a qualifying bidder.

The qualifying bidder is always the holder of record of the crab reduction permit.

With one exception, the qualifying bidder must own, hold, or retain² the bid's entire reduction fishing interest.

The exception is the reduction/privilege vessel. If the qualifying bidder doesn't own the reduction/privilege vessel, the vessel's owner may co-bid together with the qualifying bidder.

If the qualifying bidder owns the reduction/privilege vessel, he or she bids alone. Otherwise, the qualifying bidder and the co-bidder must bid together.

14. MAY A CO-BIDDER OWN ANYTHING BUT THE REDUCTION/PRIVILEGE VESSEL?

No.

15. WHAT IF A QUALIFYING BIDDER OR A CO-BIDDER IS CO-OWNED?

If a qualifying bidder is co-owned, each of the qualifying bidder's co-owners must sign section 48.VIII(a) as the qualifying bidder.

Likewise, if a co-bidder is co-owned, each of the co-bidder's co-owner must sign section 48.VIII(a) as the co-bidder.

Sole proprietorships, corporations, and partnerships whose articles of partnership authorize one partner to bind the others don't involve co-owners.

Co-ownership exists when more than one legal entity jointly owns either a qualifying bidder or a co-bidder and one co-owner isn't authorized to bind the others.

Here are a few co-ownership examples:

² You own a vessel, hold a license, and retain a crab catch history, but the rest of this letter characterizes all this as ownership.

- Husband and wife's joint ownership;
- Two or more corporations' joint ownership;
- Any two or more related or unrelated sole proprietors' joint ownership; and
- Any other form of jointly owning partners who don't have formal articles of partnership authorizing one partner to bind the others.

16. ARE WE SENDING THIS BIDDING PACKAGE TO CO-OWNERS?

No.

If your crab license is co-owned, we're sending this bidding package only to you because you're the co-owner whom the RAM³ Program's crab license database inferentially designates as the license's contact.

If you're co-owned, we'll send your co-owners a letter advising them that we sent the bidding package to you; but it's your responsibility to involve your co-owners in the bidding process.

17. WHAT DO YOU NEED TO KNOW ABOUT YOUR BID'S CRAB REDUCTION PERMIT?

It's the qualifying bidder's non-interim LLP crab license which is endorsed for one or more reduction endorsement fisheries.

It can also be endorsed for Norton Sound red king and blue king crab; but, if this is it's only endorsement, it's not a crab reduction permit and doesn't make its holder a qualifying bidder.

As the qualifying bidder, you must be the crab reduction permit's owner of record. We'll use RAM's license records to determine this.

If the crab reduction permit's legal holder is different, in any respect, from RAM's license records, you need to call us now.

You must specify your bid's crab reduction permit in section 48.III.

³The Restricted Access Management Program in NMFS' Alaska Regional Office.

Your bid must include a photocopy of the crab reduction permit you specify in section 48.III.

You bid offers to relinquish the crab reduction permit, and we'll permanently revoke it.

You must continue to own the crab reduction permit as long as you have a continuing reduction contract obligation about it. This means you can't sell it after you bid unless we notify you that we rejected your bid.

18. WHAT DO YOU NEED TO KNOW ABOUT YOUR BID'S REDUCTION FISHING PRIVILEGE?

This is the fishing privilege of the vessel which was, on December 12, 2003, designated on your bid's crab reduction permit. This vessel is your bid's reduction/privilege vessel⁴.

Your bid's reduction/privilege vessel must not be lost, sunken, or destroyed at the time of bidding.

If the qualifying bidder isn't the reduction/privilege vessel's owner of record, the vessel's owner of record must be your bid's co-bidder.

We'll use the NVDC's⁵ vessel ownership records to determine the vessel's ownership of record.

If the reduction/privilege vessel's legal owner is different, in any respect, from the NVDC's vessel ownership records, you need to call us now.

You must specify your bid's reduction/privilege vessel in section 48.VI.

Your bid must include a photocopy of the certificate of documentation for the reduction/privilege vessel you specify in section 48.VI.

⁴A reduction/privilege vessel is the same vessel as a reduction/history vessel if the vessel designated on December 12, 2003, on your bid's crab reduction permit was the same vessel as the one whose fishing history gave rise to the crab reduction permit. If not, however, then the designated vessel is the reduction/privilege vessel and the vessel whose fishing history gave rise to the crab reduction permit is the reduction/history vessel.

⁵The U.S. Coast Guard's National Vessel Documentation Center in Falling Waters, WV.

You bid offers to relinquish this vessel's fishing privileges, and the Government will permanently revoke the vessel's fishery trade endorsement and its privilege ever to transfer into foreign registry or operate under foreign authority.

You must continue to own the reduction/privilege vessel until after we either:

- Notify you that we rejected your bid; or
- Notify you that we accepted your bid and tender your reduction payment.

After we've tendered reduction payment, you're free to sell the reduction/privilege vessel. The vessel's buyer will, however, buy the vessel subject to the program's restrictions, and you must disclose these restrictions to any buyer.

After reduction payment tender, you and anyone to whom you might sell the vessel can use it for any lawful purpose except fishing of any kind anywhere ever again. The Magnuson-Stevens Act definition of fishing applies. Also, neither you nor anyone to whom you might sell the vessel will ever be able to transfer it into foreign registry or operate it under foreign authority.

When bidding, you must notify any party with a secured credit or other interest in the reduction/privilege vessel that you have included the vessel in a program bid. Please don't neglect to do this.

If, after receiving a reduction payment, you sell your reduction/privilege vessel to another party; and that party, without your complicity, subsequently operates the vessel in violation of the program's restrictions, you aren't liable for the violation. Only the party responsible for the violation is liable.

19. WHAT DO YOU NEED TO KNOW ABOUT YOUR BID'S NON-CRAB REDUCTION PERMIT(S)?

This includes each Federal fishing license, permit, endorsement, IFQ, or any other form of Federal authorization to fish which:

- The qualifying bidder owned on December 12, 2003; and
- NMFS issued on the basis of the fishing history of your bid's reduction/history vessel.

Anything which doesn't meet both criteria isn't a non-crab

reduction permit.

If your bid's reduction/privilege vessel is different than its reduction/history vessel, your bid's non-crab reduction permit(s) is always based on your bid's reduction/history vessel rather than your bid's reduction/privilege vessel.

Otherwise, your bid's reduction/privilege vessel is the same as its reduction/history vessel, and your bid's non-crab reduction permit(s) is based on that vessel.

Any authorization to fish which a state issues isn't a non-crab reduction permit.

Even if your bid's reduction/history vessel did earn what would otherwise have been a non-crab reduction permit, you don't have to include it in your bid unless the qualifying bidder owned this permit, license, endorsement, or IFQ on December 12, 2003.

Also, you don't have to include in your bid what would otherwise have been a non-crab reduction permit if it's legal holder on December 12, 2003, was, in any respect, different than the qualifying bidder.

For example, if (1) the qualifying bidder is Sam Smith, Inc. (a corporation whose stock Sam Smith personally owns), and (2) Sam Smith, as a sole proprietor, owned on December 12, 2003, a non-crab license based upon the same reduction/history vessel which gave rise to the corporation's crab reduction permit, that non-crab license isn't a non-crab reduction permit. The corporate qualifying bidder doesn't have to include that non-crab license in its bid because the corporate qualifying bidder didn't own that license on December 12, 2003. Corporations and sole proprietors are different legal entities, even though the latter may own the former's stock.

If, on the other hand, any qualifying bidder who, after December 12, 2003, sold what would otherwise have been a non-crab reduction permit, the qualifying bidder must reacquire that license, permit, or IFQ before bidding. Each qualifying bidder must include in its bids every non-crab reduction permit which the qualifying bidder owned on December 12, 2003.

We'll use RAM's license records⁶ to determine the ownership of record on December 12, 2003, of licenses, permits, and IFQs issued on the basis of your bid's reduction/history vessel.

⁶ Or the license records of another NMFS region if it issued the non-crab reduction permit.

Halibut/sablefish IFQ/QS are non-crab reduction permits if they meet the two criteria above, and you must include them in your bid. We're informed, however, that RAM's license records don't establish the vessels upon whose fishing history it issued halibut/sablefish IFQs.

You must specify your bid's non-crab reduction permit(s) in section 48.IV.

Your bid must include a photocopy of the non-crab reduction permit(s) you specify in section 48.IV.

You bid offers to relinquish the non-crab reduction permit(s), and we'll permanently revoke it.

You must continue to own the non-crab reduction permit(s) as long as you have a continuing reduction contract obligation about it. This means you can't sell it after you bid unless we notify you that we rejected your bid.

20. WHAT DO YOU NEED TO KNOW ABOUT YOUR BID'S REDUCTION FISHING HISTORY?

If your bid's reduction/history vessel and reduction/privilege vessel are the same vessel, your bid's reduction fishing history is that vessel's:

- Full and complete documented harvest of crab, excluding any crab caught under a CDO quota;
- Full and complete documented harvest of all other species involved in your bid's non-crab reduction permits; and
- The qualifying bidder's right or privilege ever to make any claim for any limited access system fishing license, permit, or other harvest authorization based on this vessel's fishing history.

If your bid's reduction/privilege vessel is different from your bid's reduction/history vessel, then your bid's reduction fishing history includes Nos. 1 through 3 above plus the reduction/ privilege vessel's documented crab harvest during the time the vessel was designated on your bid's crab reduction permit or the permit was otherwise used to authorize the vessel's crab fishing.

With the exception of the circumstances in final rule section 600.1018(i), your bid's crab reduction permit must have been

earned on a single vessel.

If you didn't earn your crab reduction permit on a single vessel, see section 600.1018(i) of the program's final rule for exception details.

For your bid's crab reduction permit and each non-crab reduction permit, you must specify your bid's reduction fishing history in section 48.V. If you owned the vessel giving rise to this fishing history, you must specify in section 48.V the vessel's name and official number. If you acquired the fishing history from another party, you must specify the details in section 48.V.

If your bid involves an exception to the single vessel rule, what you specify in section 48.V must meet the requirements of final rule section 600.1018(i).

Your bid offers to relinquish the reduction fishing history, and we'll permanently revoke it.

You must continue to own all the reduction fishing history as long as you have a continuing reduction contract obligation about it. This means you can't sell it after you bid unless we notify you that we rejected your bid.

21. WHAT'S THE MAXIMUM PROGRAM COST?

\$100 million.

We'll accept each responsive bid with the lowest bid score until either there are no more bids to accept or acceptance of the next bid with the next lowest bid score would cause the reduction's cost to exceed \$100 million.

22. HOW DO WE DETERMINE HOW MUCH OF THE BID AMOUNT TO PAY EACH CO-BIDDER OR CO-OWNER?

We don't.

This determination is your responsibility. We'll tender a single, undivided, reduction payment equaling the total bid amount to the accepted bidder (i.e., all the parties bidding--including the qualifying bidder, any co-bidder, and any co-owners of either the qualifying bidder or the co-bidder).

23. WHAT DOES "TENDERING" A REDUCTION PAYMENT MEAN?

We tender the reduction payment when we formally advise an

accepted bidder in writing that we're ready to disburse the reduction payment to the bidder.

We do this only after we've first published, for 30 days, a reduction payment tender notice in the Federal Register.

After the notice has been published for 30 days, we tender reduction payment to each accepted bidder by our written request that the bidder send us written payment instructions for our disbursement of the bidder's reduction payment.

When we tender a single reduction payment to a bidder involving more than one party, this is the point at which all parties comprising the bidder can jointly instruct us in writing how much of the reduction payment to disburse to each party and how to do so.

We've scheduled reduction payment tender for December 22, 2004.

We prefer to disburse reduction payments by electronic wire transfer.

We'll disburse payment as soon as practicable after the bidder provides these instructions.

24. IF YOUR BID INVOLVES A CO-BIDDER AND/OR CO-OWNERS, SHOULD YOU CONTRACT ABOUT SHARING THE REDUCTION PAYMENT?

Yes.

To avoid later misunderstandings, we recommend that you do this before you submit your bid.

25. WHAT DETERMINES WHETHER WE ACCEPT YOUR BID?

If everything else about your bid is acceptable, your bid score is the sole determinate.

26. WHAT'S YOUR BID SCORE?

There are only two bid scoring factors:

- Your bid amount; and
- The value of your bid crab.

Your bid score is your bid amount divided by your bid crab value.

The following are bid scoring examples, using simple and arbitrarily selected numbers:

- If your bid amount were \$1 and the your bid crab value were \$1.60, your bid score would be 0.625. This means your bid amount would be 62.5% of your bid crab value; and
- If your bid amount were \$2 and your bid crab value were \$3.40, your bid score would be 0.588235. This means your bid amount would be 58.8235% of your bid crab value.

Even though, in the examples above, the second bid amount is twice as high as the first one, the second bid score is lower than the first one. Consequently, in a reverse auction, we'd accept the second bid before we accepted the first one, and we couldn't accept the first bid at all if the \$100 million ran out before we reached a bid with a bid score as high as 0.625.

If your bid crab value is low, you should consider keeping your bid amount correspondingly low to minimize your bid score and increase the chances of your bid's acceptance before the \$100 million runs out.

27. HOW DO WE DETERMINE YOUR BID CRAB VALUE?

We'll use the State of Alaska's documented crab harvest records for your bid's reduction/history vessel, excluding any crab caught under a CDO quota.

We'll also use the average ex-vessel crab prices the State of Alaska publishes for each reduction endorsement fishery and for Norton Sound during the relevant 5 years of the bid scoring period.

Here's how it'll work for your bid's reduction/history vessel:

- We determine the crab fisheries (i.e., six reduction endorsement fisheries plus the Norton Sound fishery) for which your bid's crab reduction permit is endorsed;
- We determine the most recent five calendar years--out of the ten-calendar years from January 1, 1990, through December 31, 1999--during which each of the crab fisheries above were open for directed fishing;
- We determine the number of pounds of each kind of crab your vessel harvested from each of the crab fisheries in above for each of the five calendar years in the bullet

above (the result is your bid crab);

- We multiply bid crab in each crab fishery by the applicable ex-vessel price (the result is your bid crab values);
- We add all the bid crab values (the result is your bid crab value);
- We divide your bid amount by your bid crab value in the bullet above; and
- The result of this division is your bid score.

28. WHAT ARE THE MOST RECENT FIVE CALENDAR YEARS APPLICABLE TO EACH REDUCTION ENDORSEMENT FISHERY AND TO THE NORTON SOUND FISHERY?

Your bid's crab reduction permit could have up to seven possible area/species endorsements (six reduction endorsement fisheries plus the Norton Sound fishery).

Here's the most recent five calendar years--out of the ten years from January 1, 1990, through December 31, 1999--during which each of these crab fisheries was open for directed fishing:

- Aleutian Islands brown king crab: 1995, 1996, 1997, 1998, and 1999;
- Aleutian Islands red king crab: 1994, 1995, 1996, 1998, and 1999;
- Bristol Bay red king crab: 1993, 1996, 1997, 1998, and 1999;
- Bering Sea and Aleutian Islands Area *C. opilio* and *C. bairdi* crab: 1995, 1996, 1997, 1998, and 1999;
- Pribilof red king and Pribilof blue king crab: 1994, 1995, 1996, 1997, and 1998;
- St Matthew blue king crab: 1994, 1995, 1996, 1997, and 1998; and
- Norton Sound red king and Norton Sound blue king crab: 1995, 1996, 1997, 1998, and 1999;

The five years listed above for each of these crab fisheries are

the years which will determine the bid crab of your bid's fishing/history vessel.

29. WHAT EX-VESSEL PRICE WILL WE USE FOR VALUING BID CRAB FROM EACH OF THESE CRAB FISHERIES DURING THESE YEARS?

We'll use the average ex-vessel prices per pound which the State of Alaska published for each of these years for each of these crab fisheries.

We'll later post these published ex-vessel prices on our website (to the extent that data confidentiality considerations don't prevent us from doing so in fisheries with few participants).

30. DO YOU PROVIDE US ANY DATA ABOUT THE DOCUMENTED CRAB HARVEST OF YOUR BID'S REDUCTION/HISTORY VESSEL?

No.

We'll get all your bid crab data directly from the State of Alaska.

You should not attempt to provide us with any of this data.

31. CAN WE SHARE THE STATE'S DATA WITH YOU?

No.

We're bound by a confidentiality agreement and can't share this data with you either before or after you bid.

All we'll be able to share with you, if the referendum is successful, is your bid score.

32. HOW CAN YOU KNOWLEDGEABLY BID IF YOU DON'T HAVE ACCESS TO THE STATE'S DATA FOR YOUR BID'S REDUCTION/HISTORY VESSEL?

If you don't have your reduction/history vessel's fish tickets, we don't have a good answer.

If you don't have your reduction/history vessel's fish tickets and you can't otherwise determine your bid crab value during the five years relevant to each of the crab fisheries endorsed on your bid's crab reduction permit, you'll have to estimate it and accordingly adjust your bid amount.

At any rate, you should base the bid amount you specify in your

bid on either your actual (if you know it) or estimated (if you don't know it) bid crab value, because bid amount and bid crab value are the two factors involved in determining your bid score.

33. WHAT CRAB SPECIES ARE INVOLVED IN BID CRAB VALUE?

All crab species, except:

- Triangle tanner crab;
- Grooved tanner crab;
- Any other crab not involved in the various reduction endorsement fisheries;
- Discarded crab;
- Crab caught for personal use;
- Unspecified crab; and
- Any other crab for which we can't, for whatever reason, determine from the State of Alaska's record what we need for calculating bid crab value.

If your bid's crab reduction permit was endorsed for the Norton Sound fishery, we'll include Norton Sound red king crab and blue king crab even though the Norton Sound fishery isn't a reduction endorsement fishery for program purposes.

Remember also that we'll also exclude all crab species caught under a CDO quota.

34. WOULD WE CONSIDER YOUR ALTERNATIVE DOCUMENTATION ESTABLISHING BID CRAB POUNDAGE OR VALUE HIGHER THAN THE STATE OF ALASKA DATABASES INDICATE?

No.

We'll rely exclusively on the State's databases.

35. WHEN WILL WE ACCEPT OR REJECT YOUR BID?

As soon after the bidding closes on September 24, 2004, as we can determine which bids are responsive and rank the responsive ones according to their bid scores. We'll have concluded this before referendum voting opens on October 1, 2004.

Accepting your bid means we'll immediately place an obligation on our books to pay you your bid amount, subject to the condition subsequent that the second referendum is successful.

36. WHEN WILL WE NOTIFY YOU WHETHER WE'VE ACCEPTED OR REJECTED YOUR BID?

After a successful referendum occurs.

If the referendum is successful, we'll notify you as early as possible during the week of November 15, 2004, whether we previously accepted or rejected your bid.

We'll also notify you at this point that the reduction contract which resulted from our acceptance of your bid is no longer conditional because the successful referendum removed the one condition to full performance of the reduction contract.

By November 22, 2004, we'll have published the reduction payment tender notice. Afterwards, we'll be preparing for actually tendering reduction payments to the accepted bidders once the notice has run for 30 days.

If the referendum is unsuccessful, however, we won't tell you whether we accepted or rejected your bid, but neither you nor we will then have any further second reduction contract obligation.

37. CAN YOU NEGOTIATE, REVISE, OR AMEND ANY OF THE TERMS AND CONDITIONS OF THE SECOND INVITATION TO BID OR THE SECOND REDUCTION CONTRACT?

No.

These are non-negotiable terms and conditions.

If any of the reduction contract's terms and conditions are unacceptable to you, don't bid.

38. CAN YOU REVOKE YOUR BID AFTER SUBMITTING IT?

No.

Your bid is an irrevocable contract offer to the United States under the terms and conditions in the second invitation to bid and the second reduction contract.

Once you submit this offer, you can't revoke it.

If this is unacceptable to you, don't bid.

Our acceptance of your irrevocable bid offer forms a binding reduction contract between you and the United States.

Our rejection of your bid offer prevents the contract's formation.

39. ONCE YOU SUBMIT IT, CAN YOU RETRIEVE YOUR BID BEFORE WE ACCEPT OR REJECT IT?

No.

40. IF THE SECOND REFERENDUM IS UNSUCCESSFUL, ARE YOU RELEASED FROM YOUR BID OFFER?

Yes.

An unsuccessful second referendum automatically releases all parties from their reduction contract obligations.

41. WHAT SHOULD YOU BE CAREFUL ABOUT WHEN COMPLETING YOUR BID?

Everything.

Be sure to complete every section 48 requirement in exactly the way section 48 instructs you to do so.

If in doubt about how to complete any section 48 requirement, call us.

Once you've properly completed and signed section 48, be sure to send us the entire 22-page second reduction contract. Don't send us just the contract pages which comprise section 48. Be sure the document you send us bears the bidder's original signature. And be sure to send this to us in time for us to actually have it in our hands before 5:00 P.M., Eastern Daylight Time, on September 24, 2004.

42. WILL WE REJECT YOUR BID IF IT ISN'T PROPERLY COMPLETED, SIGNED, AND DELIVERED?

Yes.

Provided your bid is first delivered to us before bidding

closes, we may attempt to have you correct any mistakes or oversights in your bid which, in our sole discretion, lend themselves to prompt correction.

We have no duty to do this, however, so don't rely on it.

43. ARE THERE SUBSTANTIAL PENALTIES FOR SUBMITTING FALSE, UNAUTHORIZED, OR FRAUDULENT BIDS?

Yes.

The full range of penalties which the Magnuson-Stevens Act, 15 CFR part 904, the program's final rule, and all other applicable United States law may provide.

These include, but aren't limited to, civil penalties, sanctions, forfeitures, punishment for criminal offenses, and recovery of reduction payments.

44. WHEN DO YOU AND WE PERFORM OUR SECOND REDUCTION CONTRACT OBLIGATIONS?

When we tender reduction payment to you.

This will occur immediately after a successful referendum and the subsequent publication in the Federal Register for 30 days of a reduction payment tender notice.

November 22, 2004, is the scheduled date for publishing the reduction payment tender notice, and December 22, 2004, is the scheduled date for our actually tendering reduction payment to you.

The reduction payment tender notice will list each accepted bidder's name and identify each accepted bidder's crab reduction permit and reduction/privilege vessel, but will not list any bidder's bid amount.

45. WHEN WOULD YOUR BID'S REDUCTION/PRIVILEGE VESSEL HAVE TO STOP FISHING?

When we tender your reduction payment to you, which is scheduled for December 22, 2004.

All revocations of your reduction fishing interest would be effective at this point.

You would then have to retrieve all of your reduction/privilege

vessel's deployed fishing gear and return the gear to the shore.

46. DOES "FISHING" INCLUDE TENDERING?

Yes.

In addition to the catching, taking, or harvesting of fish, "fishing" includes any operation at sea in support of, or in preparation for, the catching, taking, or harvesting of fish.

47. WHAT WOULD HAPPEN IF YOUR BID'S REDUCTION/PRIVILEGE VESSEL HAD A TENDERING CONTRACT WHICH RAN LATER THAN DECEMBER 22, 2004?

You wouldn't be able to honor it beyond the time we tendered reduction payment to you (i.e., on or about December 22, 2004).

48. HOW WOULD THE REDUCTION LOAN BE REPAID?

By an ex-vessel landing fee which the first ex-vessel buyers of crab will deduct from post-reduction trip proceeds before disbursing net trip proceeds to the delivering vessels.

Fees will be tailored to the reduction loan subamount apportioned to each reduction endorsement fishery.

No fee can exceed 5% of ex-vessel values, but all fees will be no higher than required to amortize (over 30 years) the reduction loan subamount apportioned to each reduction endorsement fishery.

Fee rates for each reduction endorsement fishery can, and will, change over the years as the fluctuating values of landings warrant either increasing or decreasing fee rates. No fee rate will, however, ever exceed 5%.

Fee payment and collection won't begin until after we amend the program's final rule to establish the reduction loan amount and the subamounts apportioned to each reduction endorsement fishery.

We'll individually notify everyone who pays and collects fees before fee payment and collection starts.

49. ON WHAT BASIS DO WE APPORTION REDUCTION LOAN SUBAMOUNTS TO EACH REDUCTION ENDORSEMENT FISHERY?

On the basis of the reduction/history vessels' relative

production during the bid scoring years in each reduction endorsement fishery.

Each reduction endorsement fishery, in other words, repays only the reduction loan sub-amount proportional to the percentage of fishing history removed from each reduction endorsement fishery.

50. IF THE SECOND REFERENDUM IS UNSUCCESSFUL, WOULD WE RE-INVITE BIDS AND HOLD A THIRD REFERENDUM ON THE NEW BIDDING RESULTS?

There's no way to presently determine this, but it's highly unlikely.

51. WHEN WILL WE HOLD THE SECOND REFERENDUM?

As soon as we've scored and ranked all responsive bids and accepted those which score low enough.

Afer we've accepted bids, we'll know how many crab licenses and crab vessels, as well as how much crab fishing history, the accepted bids will remove from each reduction endorsement fishery.

We'll also know what the cost of doing so is and what the potential reduction loan repayment fee in each of the fisheries will be.

Most importantly, we'll also know the degree to which the accepted bidders' reduction fishing histories will increase crab QS quota allocations, under the NPFMC's guidance for estimating these, to post-reduction crab license holders if the referendum is successful.

We're presently scheduled to send, on October 1, 2004, a referendum ballot to each qualifying voter then on our qualifying voter list. This will include full information about the reduction consequences of the accepted bidders.

Each voter may vote as soon as the voter receives our ballot.

We've scheduled voting to close at 5:00 P.M., Eastern Standard Time, on November 15, 2004.

Every interim and non-interim crab licensee in the reduction endorsement fisheries will have one vote per license. Those whose licenses contain only an endorsement for the Norton Sound fishery are not, however, qualifying voters.

The voting package will consist of:

- The capacity reduction results and cost of accepted bids;
- A ballot; and
- Detailed voting information and other guidance.

52. WILL WE NOTIFY YOU AND OTHER VOTERS BEFORE SENDING OUT THE VOTING PACKAGES?

No.

Each qualifying voter's only notice of the referendum will be the voter's receipt of our voting package.

Each qualifying voter should anticipate our mailing this package to him or her on October 1, 2004, and arrange, accordingly, to vote in the program's second referendum.

53. ON WHAT WILL REFERENDUM VOTERS BE VOTING?

Basically, on whether they think the amount of crab capacity which accepted bids will remove from each reduction endorsement fishery, as well as the estimated increases in crab QS allocations for post-reduction crab license holders, justifies the reduction's cost.

54. CAN WE, FOR REFERENDUM INFORMATION PURPOSES, ESTIMATE HOW THE SECOND REFERENDUM'S ACCEPTED BIDDING RESULTS POTENTIALLY INCREASE CRAB QUOTA SHARE ALLOCATIONS FOR POST-REDUCTION CRAB LICENSE HOLDERS?

Yes.

To estimate this, we'll use the NPFMC's staff guidance⁷ for crab license holders' use in estimating their potential QS allocations under the proposed BSAI crab IFQ program. This guidance appears on the NPFMC's web site at

http://www.fakr.noaa.gov/npfmc/current_issues/crab/prefharvestdemon.pdf

In doing so, we'll use the same crab catch history, for the

⁷The NPFMC guidance (including "Table 1") is entitled "DENOMINATORS FOR CALCULATING ALLOCATIONS".

accepted bidders' reduction/history vessels, which the NPFMC guidance itself used for these vessels in preparing its guidance.

55. HOW MANY VOTES ARE REQUIRED FOR A SUCCESSFUL REFERENDUM?

For the referendum to be successful, at least two-thirds of those actually casting votes must do so in favor of the loan repayment fee.

Note that this is not two-thirds of qualifying voters. It is, instead, only two-thirds of the qualifying voters who actually submit responsive ballots.

This concludes the bidding questions and answers.

We know this is a complicated process. Consequently, please don't hesitate to call us for any help you may need during the bidding process.

If you have additional questions about any program aspect, you may telephone or e-mail Mike Sturtevant, Shawn Barry, or me at the following telephone numbers or e-mail addresses:

| PERSON | NUMBERS/ADDRESS | |
|-----------------|---------------------------------|-------------------------------|
| | TELEPHONE (301) 713- 2390 | E-MAIL |
| Mike Sturtevant | Extension 212 | Michael.A.Sturtevant@noaa.gov |
| Shawn Barry | Extension 186 | Shawn.Barry@noaa.gov |
| Mike Grable | Extension 185 | Michael.Grable@noaa.gov |

We look forward to receiving your new bids and to completing the program.

Sincerely,

Michael L. Grable, Chief
Financial Services Division

Enclosures:

(1) Second Invitation to Bid: Fishing Capacity Reduction Program for the Crab Species Covered by the Fishery Management Plan for Bering Sea/Aleutian Islands King and Tanner Crabs, and

(2) Second Fishing Capacity Reduction Program Bid and Terms of Agreement for Capacity Reduction: Bering Sea and Aleutian Islands King and Tanner Crabs.